JUNE 2013 NEWSLETTER

Ian Douglas

Mark Duncan

Lisa Cajolet

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Ian Douglas
Raymond James Ltd.
#1 - 5767 Turner Road
Nanaimo, BC V9T 6L8
Telephone: (250) 729-2830
Toll free: 1-866-729-2830
www.raymondjames.ca/iandouglas

Market Review

The second quarter of 2013 was mixed for equity investors, with the U.S. market continuing its winning streak, but emerging and resource based markets losing ground.

In Canada gold and mining shares lost 23.27% this quarter leading the market down. As we have had no recommendations in this sector it is nice not to participate in the carnage.

Oil and gas shares were down 3.87% in the quarter as the lack of pipeline capacity has kept netbacks to Canadian producers low.

	June 29/12 Close	March 28/13 Close	June 28/13 Close	90-Day % Change	1-Year % Gain
S&P 500	1,362	1,569	1,606	2.36%	17.91%
TSX 300	11,597	12,749	12,129	-4.86%	4.59%

World Indexes	YTD %
S&P/TSX	**-2.45%**
S&P 500	**12.63%**
DJIA	**13.78%**
NASDAQ	**12.71%**
DJ Stoxx 50	**1.05%**
Japan	**35.63%**
Hong Kong	**-8.82%**
MSCI Emerging Markets	**-10.73%**

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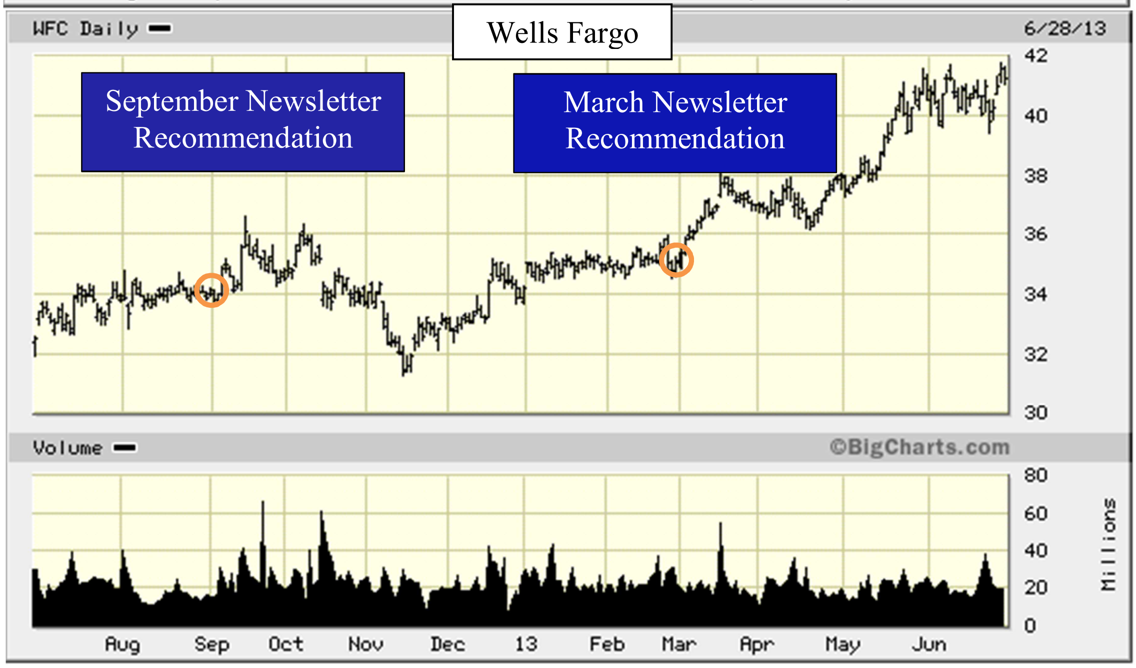
Recent Recommendations

In the June 2012 newsletter we recommended JP Morgan at $35.73 and in the September newsletter we recommended Wells Fargo at $34.57. JP Morgan is currently at $52.79 for a 47.7% one year return in U.S. dollars and Wells Fargo is $41.27 for a 19.4% six month U.S. dollar return. Clients who converted from Canadian dollars to buy these positions also earned another few percent on the exchange. The Wells Fargo quarterly dividend in September of 2012 was $0.22 but this has been increased twice and is currently $0.30 per quarter, producing a 2.91% yield at today's levels.

JP Morgan



Source: BigCharts.com

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Fixed Income

The big news this quarter happened on May 22nd, when U.S. Fed Chairman, Ben Bernanke announced that the U.S. Fed would taper off the purchases of U.S. treasury bonds if U.S. growth becomes strong enough. As U.S. Fed purchasing has kept interest rates artificially low, the bond and stock markets sold off. While we have been successful avoiding long-term government bonds, our positions in preferred shares, corporate bonds and dividend producing equities have sold off.

Bond prices in "safe" countries corrected this quarter, creating losses. Bond holders in the riskier countries actually made quite attractive returns during the last year as confidence has improved and bond prices have appreciated.

An example of the poor alternatives in the bond sector is some recent emerging market bond issues.

Mongolia raised $1.6 billion in November by issuing 10 year bonds that yielded 5.125%, Rwanda issued $400 million of 10 year bonds yielding 6.875%, Zambia raised $760 million of 10 year Eurobonds at 5.625%, and the Dominican Republic sold $1 billion in 11 year bonds at 5.875%. Some of the countries are places where most of us would be afraid to step off the plane, and the low yields that they have been able to raise money at could be a sign that money has got too cheap.

Investment	June Performance	2013 Performance
CIBC Global Bond	**-0.25%**	**+1.1%**
BMO World Bond	**-0.45%**	**-0.55%**
DEX Universe Bond Index Fund	**-1.94%**	**-1.50%**
TD Canadian Bond	**-1.53%**	**-2.04%**
Fidelity Canadian Bond	**-1.70%**	**-2.39%**
AGF Emerging Markets Bond	**-1.88%**	**-2.94%**
PIMCO Canadian Total Return Bond	**-1.74%**	**-3.53%**
RBC Global High Yield Bond	**-1.94%**	**-3.52%**

Canadian T-Bills and Bonds

	Dec. 31, 2012	Mar. 28, 2013	Jun. 28, 2013
90 day	**0.94%**	**0.960%**	1.01%
180 day	**1.03%**	**1.00%**	1.04%
1 year	**1.08%**	**1.02%**	1.11%
2 year	**1.12%**	**1.002%**	1.20%
5 year	**1.36%**	**1.305%**	1.25%
10 year	**1.80%**	**1.874%**	2.44%
30 year	**2.36%**	**2.503%**	2.91%

U.S. T-Bills and Bonds

	Dec. 31, 2012	Mar. 28, 2013	Jun. 28, 2013
90 Day	**0.050%**	**0.065%**	0.03%
180 Day	**0.115%**	**0.085%**	0.09%
1 year	**0.140%**	**0.090%**	0.14%
2 year	**0.263%**	**0.246%**	0.36%
5 year	**0.729%**	**0.761%**	1.39%
10 year	**1.761%**	**1.850%**	2.49%
30 year	**2.951%**	**3.104%**	3.50%

International 10 Year Bond Yields

	Dec. 31, 2012	Mar. 28, 2013	Jun. 28, 2013
Japan	**0.79%**	**0.51%**	0.84%
U.S.	**1.75%**	**1.85%**	2.49%
Germany	**1.31%**	**1.29%**	1.73%
Canada	**1.79%**	**1.87%**	2.43%
U.K.	**1.82%**	**1.719%**	2.44%
France	**1.99%**	**2.035%**	2.34%
Spain	**5.26%**	**5.06%**	4.75%
Italy	**4.49%**	**4.76%**	4.54%
Ireland	**4.41%***	**4.23%**	4.01%
Portugal	**7.01%**	**6.37%**	6.32%
Greece	**11.90%**	**12.44%**	10.62%

**Nine-year bond*

Income Producing Equities

As interest rates have been sub-par for years, most of us have accumulated dividend or income producing equities. The recent up-tick in interest rates has caused a correction in this sector leading to some attractive yields.

Equity	52 Week High	June 28, 2013	Change from 52 Week High	Yield
Telus Corporation	$37.94	$30.70	-19.1%	4.4%
H&R REIT	$26.29	$22.04	-16.2%	6.1%
Riocan REIT	$29.60	$25.27	-14.6%	5.6%
BCE Inc.	$48.90	$43.12	-11.8%	5.4%
TransCanada Pipeline	$51.21	$45.28	-11.6%	4.1%
Enbridge Inc.	$49.17	$44.21	-10.1%	2.9%
Brookfield Renewable Energy LP	$32.02	$29.05	-9.3%	5.2%
Brookfield Infrastructure	$42.02	$38.38	-8.7%	4.7%
Royal Bank of Canada	$64.92	$61.28	-5.6%	4.1%
Power Financial Corporation	$31.55	$30.58	-3.1%	4.6%
Toronto Dominion Bank	$86.20	$84.47	-2.0%	3.8%
Wells Fargo & Company	$41.96	$41.27	-1.6%	2.9%
Manulife Financial Corporation	$16.83	$16.83	0%	3.1%

Shares that benefit from rising rates (banks and insurers) have had the best relative performance this quarter while interest sensitive sectors (REITs, utilities, telecoms and pipelines) have had the worst performance. In spite of the recent disappointments I believe that investors seeking income should own a blend of companies from different sectors.

Outlook

My outlook has not changed significantly from the March 31st quarter. The U.S. economy will likely remain the strongest alternative and we will likely see interest rates gradually ratchet up.

Canadian insurers and U.S. financial companies will likely continue to outperform and clients who want balanced portfolios will own more money market investments than usual due to the limited opportunities in the bond market.

Welcome Mark

Mark has been an Associate Investment Advisor with Raymond James since 2005. Mark worked with a very talented and successful advisor and helped manage a large investment practice. Mark has a Business Administration Diploma in Finance, and has earned his Chartered Investment Manager (CIM), Financial Management Advisor (FMA) and Fellow of the Canadian Securities Institute (FCSI) designations. Mark and I will work together to decide which securities we believe should be purchased or sold, so if you are contacted by Mark with a recommendation it will be the same as if I had called you.

If you have any questions with your investments please don't hesitate to contact us.

Ian Douglas	**Mark Duncan**	**Lisa Cajolet**
Vice President	Associate	Administrative
Financial Advisor	Financial Advisor	Assistant

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